



COMMITTEE ON THE BUDGET
TASK FORCES ON WASTE, FRAUD, AND ABUSE, MAJORITY CAUCUS
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Financial Aid Nightmares

Department of Education Mismanagement Continues

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Since 1992, the General Accounting Office [GAO] has identified Federal student financial aid programs as being at high risk of fraud and abuse because of weak management and poorly integrated financial systems. The problems continue today, as indicated by the following examples from the most recent report of the Department's inspector general [IG].

- < **Repeat Offender** – Between 1996 and 1999, a Federal prisoner on supervised release submitted 50 fraudulent loan applications totaling more than \$900,000 by falsely claiming enrollment at Mexican medical schools – a scheme similar to the one resulting in his incarceration. Twenty-six of the loans, totaling \$400,000 were disbursed, before he was caught. (Department of Education IG, *Semiannual Report to Congress*, March 2000.)
- < **Four-Person Conspiracy** – Four individuals conspired to obtain \$200,000 in Federal student loans by falsely claiming attendance at a Costa Rican medical school. The four also were found to have submitted false disability certifications to three guaranty agencies, for a total of \$82,000 in loans. (Department of Education IG, *Semiannual Report to Congress*, March 2000)
- < **Cooking the Books** – Two family members obtained \$17,760 in Federal student loans for falsely claiming enrollment at the Le Cordon Bleu Cooking School in London. (Department of Education IG, *Semiannual Report to Congress*, March 2000)
- < **Not A Saint** – A student at a seminary in Washington, DC fraudulently used multiple Social Security numbers to secure \$29,500 in student loans. He was not eligible for these loans because he had previously defaulted on a student loan. (Department of Education IG, *Semiannual Report to Congress*, March 2000)